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# January 2017 REAL ESTATE Update

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## Rates Move Higher

In Freddie Mac's results of its Primary Mortgage Market Survey the 30-year fixed-rate mortgage averaged 4.32% for the week ending December 29, 2016.

A year ago at this time, the 30-year FRM averaged 4.01 percent.

Average fixed mortgage rates moved higher for the 9th consecutive week. Despite the recent jump since the election, the annual average for the 30-year fixed-rate mortgage was

## Mortgage Rates

Source: Realty Times



U.S. averages as of December 29, 2016:

**30 yr. fixed: 4.32%**  
**15 yr. fixed: 3.55%**  
**1 yr. ARM: 3.30%**

3.65% in 2016, the lowest annual average ever recorded in Freddie Mac's survey going back to 1971.

## Is the Home Office On Its Way Out?

Homeowners are



finding less need for a central space for their work, according to a recent article in Bloomberg. Developers are realizing the change and are adopting house plans to accommodate the greater desire for open spaces instead. They're adding in workplace nooks and power stations rather than an entirely separate space to work from. Homeowners' needs for a dedicated office with a big computer, fax, and printer are fading.

Workers are no longer tethered by a cord and are favoring laptops and mobile accessories to do their work. That allows homeowners to take their work anywhere around the home, from their kitchen and living room to their bedroom.

This helps explain why "the bigger, more ornate home offices that we once did have kind of gone away," says Tim Shigley, a home remodeler in Wichita, Kan. "People started saying, 'Do I need a home office? I have other things I want to buy.'" The home office may be losing its power as a selling point too. Mentions of home offices on real estate listings have dropped 20 percent over the past year, according to Zillow's CEO.

The loss of the home office may be generational, however. A 2016 John Burns Real Estate Consulting survey showed that half of older adults still prefer to have a dedicated home office space. Younger adults say they don't care about a home office as much.

## Higher Loan Limits Coming in 2017

As of Jan. 1, house-



holds will be able to get larger FHA loans for their home purchase. In high-cost areas like San Francisco and Washington, D.C., borrowers will be able to get loans as high as \$636,150, almost \$11,000 more than what they were able to get in 2016. In low-cost areas, they'll be able to get loans for up to \$275,665. That's up from \$271,050.

The higher limits stem from changes the Federal Housing Finance Agency made to the limits on conforming loans. These are conventional loans packaged into securities and backed by Fannie and Freddie for sale to investors. The new limit for these loans is \$424,100 in most markets, up from \$417,000. It was the first increase in a decade, and it comes after NAR recommended changes to the criteria the FHFA looks at to determine what the limits should be.

## Home Buyers Want To Go Bigger

Buyers are



continuing to purchase bigger homes this year, according to the National Association of REALTORS® 2016 Profile of Home Buyers and Sellers.

In five out of the nine U.S. regions, buyers sought to trade up and buy bigger homes than last year. Forty-six percent of all buyers traded up in the size of their home, up from 42% in 2015, NAR's report showed.

As homeowners gain more equity, they may be looking to trade up for a bigger home.

So far in 2016, sellers reported selling their homes for a median of \$43,100 more than they purchased it, which is up from \$40,000 in 2015 and \$30,100 in 2014.

The most common reason for selling a home was that the home was too small.



Equal Housing

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